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Office Memorandum • UNITED STATES GOVERNMENT

TO : Comptroller

DATE: 4 SEP 1959

FROM : Chief, Audit Staff

SUBJECT: Report of Audit of Fiscal Division Financial Operations
for the Two-Year Period Ending 30 June 1959

1. This report presents the findings of the audit of financial transactions recorded by the Fiscal Division for the period 1 July 1957 to 30 June 1959. As the basis for the audit, we reviewed the procedures, practices, records and form of organization, as well as other elements of internal control to determine whether they provide reasonable assurance of control over expenditures, receipts and assets and establish the reliability of the financial data used for report purposes. To the extent we deemed necessary in the circumstances, we examined financial transactions as a basis for evaluating compliance with prescribed policies, procedures, applicable laws, regulations and decisions as they pertain to the Agency's operations. As a result of this audit, we have concluded that, generally, the operations of the Division are conducted in a satisfactory manner. There are, however, a number of areas in which we feel improvements could be made, a discussion of which, with our recommendations for your consideration, is presented herein.

Accounting Branch

2. The accounting system used, the records maintained, and the reports submitted by Accounting Branch appeared to adequately present the financial status of the Agency appropriations and funds controlled by the Fiscal Division. Although no published procedures and policies regarding the specific functions of the Accounting Branch were available, personnel were found well informed as to their duties and responsibilities.

3. The criteria for documentation of obligations and responsibilities of the Fiscal Division with regard to the obligation of allotments were poorly defined and procedures followed were contrary to Agency regulations or Comptroller Instructions. Weaknesses of control noted are failure to require signed copies of documents evidencing agreements or arrangements for services or property to be furnished as required by [REDACTED] and failure to require approval of all obligations of vouchered allotments by signature of an authorized approving officer as required by [REDACTED]. We submit for your consideration the following recommendations for strengthening obligating procedures: 25X1A

- a. Establish a written statement of policies and procedures for obligating vouchered allotments similar to [REDACTED] for unvouchered funds. 25X1A

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- b. Require properly approved documents as a basis for all obligations and require that this approval be evidenced by signature. Maintain a current file of all approving officers.
- c. Assure that Memorandum Obligation Records are attached to or referenced to the location of the obligating document.

4. Procedures for the receipt and control of cash by the Division cashier prior to deposit with the Disbursing Officer were found to be contrary to paragraph 2 of Comptroller Instruction No. 27 in that cash collections were being effected by other Divisional components such as the Travel Branch and Payroll Branch, which were receiving cash from individual remitters rather than referring them to the cashier. We recommend that corrective action be taken. We also recommend that consideration be given the inclusion of this cashier, who is not presently bonded, in the Agency Position Schedule Bond.

5. The review of Treasury Imprest Funds recorded in Fiscal Division accounts disclosed four instances where amounts recorded were in considerable variance with amounts actually advanced to Imprest Fund Cashiers. These discrepancies resulted from (a) recording imprest fund advances from authorizing letters rather than from Treasury disbursement documents and (b) failure to distribute these documents to the Accounts Branch for entry in accounts. We recommend that the amounts recorded in the General Ledger and subsidiary accounts for [REDACTED]

[REDACTED] be adjusted to reflect actual advances. We further recommend that procedures for recording imprest fund accountability be strengthened to provide for proper documentation and to assure that this documentation is distributed to Accounts Branch. We submit for your consideration the desirability of recording imprest fund accountings in subsidiary accounts to provide a recorded basis for review and control of these funds. In this same regard, we noted that no accounting had as yet been received for reimbursement to the Imprest Fund of [REDACTED] who is stationed with [REDACTED] in [REDACTED], although Miss [REDACTED] has been custodian of this account since January 1959. We recommend she be queried as to the status of her funds, and if expenditures from the fund have not warranted request for reimbursement, consideration be given to discontinuing the fund.

6. Analysis of the 152.9 Account, Accounts Receivable, Other, disclosed three delinquent balances due from Department of the Air Force dating from 1956 and 1957 as follows:

<u>Debtor</u>	<u>Date Last Billing</u>	<u>Amount</u>
Dept. of Air Force		\$ 17,253.33
Dept. of Air Force	8 Nov. 1956	45,699.26
Dept. of Air Force	13 Mar. 1957	38,400.26
		<u>\$101,352.85</u>

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During the course of the audit the Air Force was contacted regarding these billings. No evidence of prior follow-up was on file. We recommend that positive efforts be initiated to collect the above delinquent receivables due from the Department of the Air Force. We further recommend that follow-up procedures established by Comptroller Instruction No. 68 be applied in the future.

7. Other controls and procedures observed appeared to be adequate and in conformance with regulations and good accounting standards.

Fiscal Processing Branch

8. The weekly program reports of Fiscal Processing Branch indicate a normal backlog of approximately 100 invoices held unprocessed for between two and four weeks. Investigation disclosed the primary cause of this backlog to be a delay in the submission of receiving reports by Supply Division or other responsible components. While we recognize that this condition is by no means unique, we feel that improvements in the current Fiscal Processing Branch follow-up procedures would expedite payment of invoices and permit considerable savings in manpower. We therefore recommend that (a) written procedures be established to provide for aggressive follow-up of delinquent receiving reports, such procedures to include a record of each follow-up attempt; (b) that consideration be given to the assignment of this follow-up function to one person rather than three as currently required; and (c) that consideration be given establishing higher level liaison to be routinely applied when initial follow-ups have failed.

Claims Branch

9. The review of procedures and controls exercised by the Claims Branch revealed a generally efficient operation. The examination included an audit of a representative number of paid vouchers in all expense categories for the two-year period. The audit disclosed no consequential errors and we took no exceptions to any payments. Invoices and other claims were processed for payment promptly and invoices offering discounts were normally paid during the discount period.

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10. Agency Regulation [REDACTED] requires that all obligations of vouchered funds be approved by an authorized approving officer. We observed that obligating documents serving as primary authority for the payment of claims were often not signed, and when signed, were usually signed by someone other than a designated approving officer of the component to be charged. The certifying officer should assure herself of the authenticity of the obligation being liquidated by the claim by requiring that such obligation documents be signed by an authorized approving officer as defined in [REDACTED]. We recommend this procedure be adopted and a current index of approving officers be maintained by the certifying officer. In this same regard, the certifying officer, when certifying a voucher for payment of a recurring obligation, will accept as an approved obligating document a Memorandum Obligation Record without reference to the actual document which is filed in the Accounting Branch. We recommend that all obligating documents be maintained in a central file for easy reference by the certifying officer.

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11. No procedure existed for the verification of signatures of persons acknowledging receipts of supplies and services, and apparently anyone in the receiving component could so certify. We recommend that each component receiving supplies or services be required to submit names of persons authorized to receive such supplies and services and that a file of these be established in the Claims Branch for reference purposes.

12. In that properly approved obligation documents represent final approval for payment of claims from vouchered funds, we recommend that invoices or requests for advance payment to other government agencies not previously recorded as obligations be approved prior to certification by an authorized approving officer. This might also be applied to those invoices where the amount billed is in considerable excess of the amount originally approved and obligated.

13. We found that accounting distribution of expenses to sub-object classification was not always accurate and therefore did not truly present expense distribution. In instances where advance payments are made, cost distribution to sub-object classifications is frequently made on the basis of initial estimates which were later found to be inaccurate. We recommend more attention be devoted to the accuracy of these accounting distributions and that obvious errors be adjusted when necessary.

14. Invoices from other Government agencies for printing services were priced at amounts considerably different from those on Agency requisitions for printing and binding. These invoices were certified for payment in spite of this difference although the higher prices were taken from a price list effective after delivery. We were informed by the certifying officer that invoices from other Government agencies were not questioned as to price differences. We recommend that the same audit criteria be applied to these invoices as to invoices from commercial vendors.

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15. Invoices for long distance toll calls by [redacted] stations were being certified for payment without the certification by the caller's superior that such calls were necessary and in the interest of the government. In that this certification is required by law (31 USC 680a), we recommend that corrective action be initiated.

16. Claims for reimbursement to the \$17,000 Imprest Fund in the Office of Central Reference were found to have been approved by the custodian of the fund. In view of the size of this fund, we recommend that future accountings be approved by the approving officer designated for this office.

Payroll Branch

17. Examination of the vouchered payroll procedures, which included a detailed audit of documentation and computation of three complete payrolls during the two-year audit period, disclosed a generally efficient and well controlled payroll operation.

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18. Examination of current document flow through Payroll Branch indicated it might be more practical and a savings of man power to process Personnel Actions directly to the Machine Records Division for keypunching rather than processing them through Payroll Branch. It also appears that T&A cards could be sent directly to Machine Records Division from the components. We recommend that consideration be given to a study of this procedural change which might result in a more efficient operation.

19. We found procedures for the control of undelivered payroll checks returned to Payroll Branch by the employing component inadequate. Under the current procedure, checks for terminated personnel or persons transferred PCS or for prolonged TDY are returned to Payroll Branch and either mailed to the employee's last address of record or held until they return to claim the checks with no control or record. We understand, however, that new procedures to be effected in Payroll Branch will assure these checks are more adequately controlled.

20. The Payroll Branch has 13 drawers of cards covering terminated employees. The card lists such general information as name, EOD date, termination date, grade, salary, etc. The only information on the cards not in the employees' personnel files is the schedule number by which the pay card was transferred to the CSC. It appears that the cards are used to answer telephone requests for information which, it appears to us, should properly be handled by the Office of Personnel. Consideration should be given to discontinuing this file and destroying the cards now on hand.

21. An examination of the Time and Attendance Reports disclosed cases where night differential was claimed and paid but the night tour of duty was not recorded on the Time and Attendance Report as required by [REDACTED] 2.f. It is recommended that the above regulation be complied with. 25X1A

22. An examination of over 400 time cards disclosed a number of control deficiencies. Approximately 20% of the cards examined were prepared in pencil and some had erasures. Other cards were incompletely prepared indicating only total hours worked during the pay period, with no record of daily hours worked. We also observed that in seven of thirteen components examined, Time and Attendance Clerks had approved their own time cards. We recommend that this matter be reviewed and uniform procedures provided to strengthen controls.

23. An examination of the pay abstracts prepared by Payroll Branch disclosed no errors; however, in approximately 10% of those examined the explanation on the abstract was too brief to be easily understandable. Since the abstracts may be referred to in the future, the explanation should be detailed enough to be clearly understood.

Travel Branch

24. Our examination of procedures, controls and audit criteria disclosed an efficient operation and no audit exceptions were necessary.

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25. Comptroller General Decision No. 36-769, dated 31 May 1957, permits administrative adjustment of errors in computation of travel claims not to exceed \$10.00 without returning the claims to the claimant. We understand this authority is being exercised only to correct errors in extension or addition. We recommend this policy be reviewed and a more liberal interpretation of the provisions of the above Comptroller General Decision be applied in order to expedite the processing of travel claims by eliminating small disallowances and reclaims. This interpretation and other travel audit guide lines should be reduced to writing.

Disbursing Branch

26. In that the records, procedures and controls of the Disbursing Branch are prescribed and subject to review by the Treasury Department, no review by this Office was felt necessary.

Administrative Actions Requested

27. Administrative actions submitted for your consideration are summarized below:

- a. Consider improving criteria for documentation and authentication of obligations. (Paragraph 3)
- b. Assure that cash receipts are submitted directly to the Fiscal Division cashier by the payee. (Paragraph 4)
- c. Consider including the Fiscal Division cashier in the Agency Position Schedule Bond. (Paragraph 4)
- d. Adjust amounts recorded as Treasury Imprest Funds in the General Ledger to reflect amounts actually advanced and improve procedures for documenting and recording such Imprest Funds. (Paragraph 5)
- e. Query [REDACTED] [REDACTED] on the status of her Imprest Fund for which no accounting has been received and assure that expenditures from this fund warrant its continuance. (Paragraph 5)
- f. Continue follow-up of delinquent accounts receivable. (Paragraph 6)

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- g. Strengthen accounts receivable follow-up procedures to prevent delinquencies. (Paragraph 6)
- h. Establish procedures to expedite the receipt of receiving documents in Fiscal Processing Branch. (Paragraph 8)
- i. Maintain a current file of authorized approving officers in Claims Branch for the verification of obligating documents by the Certifying Officer. (Paragraph 10)
- j. Discontinue the practice of accepting MOR's unsupported by original obligating documents as approval for expenditures. (Paragraph 10)
- k. Maintain a central file of all original obligating documents for reference by the certifying officer. (Paragraph 10)
- l. Require that each component receiving supplies or services submit names of persons authorized to receive such supplies and services and establish a file for reference purposes. (Paragraph 11)
- m. Require that invoices not previously obligated, or for which obligations recorded were substantially different from billings received, be approved. (Paragraph 12)
- n. Devote more attention to the accuracy of distribution of costs to sub-object classifications. (Paragraph 13)
- o. Apply the same audit criteria to billings from other Government agencies as applied to invoices from commercial vendors. (Paragraph 14)
- p. Require certification as to the necessity of long distance telephone calls prior to certification for payment as required by law. (Paragraph 15)
- q. Require that claims for reimbursement to the OGR Imprest Fund be approved by an authorized approving officer other than the custodian of the fund. (Paragraph 16)
- r. Consider procedural changes to process payroll documents such as Personnel Actions and Time and Attendance Cards directly to Machine Records Division. (Paragraph 18)
- s. Consider discontinuance of files of records of terminated employees. (Paragraph 20)
- t. Require that Time and Attendance Cards on which night differential is reported also indicate the hours of the night tour of duty as required by [REDACTED] (Paragraph 21)

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- u. Provide uniform procedures for preparation and approval of Time and Attendance Cards. (Paragraph 22)
- v. Explain purposes of Payroll abstracts in adequate detail. (Paragraph 23)
- w. Establish written travel audit procedures. (Paragraph 25)

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